Supreme Court, U.S.
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No. 98-2004

IN THE

Supreme Court of the United States

RINGLING BROS.-BARNUM & BAILEY COMBINED SHOWS, INC.,

Petitioner,

v.

UTAH DIVISION OF TRAVEL DEVELOPMENT,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

REPLY BRIEF FOR THE PETITIONER

Of Counsel:

Steven B. Pokotilow
Brian S. Tomko
STROOCK & STROOCK
& LAVAN LLP
180 Maiden Lane
New York, New York 10038
(212) 806-5400

Jerome S. Sowalsky
Julie Alexa Strauss
RINGLING BROS.-BARNUM &
BAILEY COMBINED SHOWS, INC.
8607 Westwood Center Drive
Vienna, Virginia 22182
(703) 448-4000

Harris Weinstein
Bingham B. Leverich
Robert A. Long, Jr.
Counsel of Record
COVINGTON & BURLING
1201 Pennsylvania Ave., N.W.
P.O. Box 7566
Washington, D.C. 20044
(202) 662-6000

July 1999

Counsel for Petitioner

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REPLY BRIEF FOR THE PETITIONER

Eleven owners of famous trademarks have filed a brief as *amici curiae* in support of the Petition that confirms the importance of the question presented for review. The Fourth Circuit's decision conflicts with decisions of other courts of appeals which – unlike the Fourth Circuit – do not limit relief under the Federal Trademark Dilution Act (FTDA) to plaintiffs who can prove an actual economic injury. Respondent fails to rebut the fundamental point that the courts of appeals are in conflict on an important question, and fails to offer any valid reason for denying review. The Petition should be granted.

1. The Fourth Circuit's decision holds that owners of famous marks are not entitled to relief under the FTDA unless they can prove "actual economic harm to the famous mark's economic value." Pet. App. 26a. Other courts of appeals impose no such requirement on plaintiffs. Accordingly, Respondent's contention that there is no circuit conflict is simply incorrect.[1]

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[1] Respondent wrongly accuses Petitioner of "featur[ing]...a fragmentary quotation of the [c]ourt's alternative expression of the standard" for proving dilution. Br. in Opp. 8 n.4. The Fourth Circuit concluded its discussion of the elements of dilution by holding, in clear terms, that the plaintiff must prove "actual economic harm to the famous mark's economic value by lessening its former selling power." Pet. App. 26a. The court's earlier references to "actual harm to the senior mark's economic value" and "an actual lessening of the senior mark's selling power," *id.* at 7a, 19a, also require proof of actual economic harm.

Respondent asserts that the standard adopted by the Fourth Circuit is "in essence" the standard that Petitioner advocated in the court of appeals. Br. in Opp. 8 n.4; *see also id.* at 16 (Petitioner advocated a "virtually identical" standard). That is flatly wrong. Petitioner's brief in the court of appeals stated: "To show dilution, the famous trademark owner need only demonstrate that a reasonable consumer makes *some kind of mental association between the marks of the two parties.*" Pet. C.A. Br. 9 (emphasis in original). The court of appeals stated: "As in the district court, [Petitioner] contends...that a famous mark is 'diluted' whenever a junior mark is sufficiently similar that consumers viewing them 'instinctively make a mental association' of the two." Pet. App. 7a (*quoting* Pet. C.A. Br. 9, 18-20).

Respondent contends that there is no conflict with the First Circuit's decision in *I.P.Lund Trading ApS v. Kohler Co.*, 163 F.3d 27 (1st Cir. 1998), because (1) the First Circuit quoted "a comment of the district court, not a comment of the Fourth Circuit," and (2) the Fourth Circuit stated that it did "'not agree in every particular with the district court's interpretation.'" Br. in Opp. 8 (*quoting* Pet. App. 7a). The First Circuit did not quote the Fourth Circuit for the simple reason that the Fourth Circuit's opinion had not been issued when the First Circuit decided *I.P. Lund*. When the Fourth Circuit did issue its opinion, it left no doubt that it agreed with the aspect of the district court's decision rejected by the First Circuit. The Fourth Circuit "agree[d] with the district court that to establish dilution of a famous mark under the federal act requires proof [of]...actual economic harm to the famous mark's economic value," and stated that the "most obvious[]" way of proving "actual, consummated" harm is to show an "actual loss of revenues." Pet. App. 25a-26a, 33a.[2]

Respondent denies that there is a conflict with the Ninth Circuit's decision in *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998), because the opinion in *Panavision* quotes and applies Congress's definition of dilution without formulating a separate judicial standard. The Ninth Circuit cannot be faulted for applying the FTDA as it was written by Congress; it is the Fourth Circuit that erred by fashioning a standard that, by its own

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[2] Respondent calls attention to the First Circuit's "quotation of a scholarly source identifying as central, 'whether a particular junior use will debilitate the selling power of a mark.'" Br. in Opp. 9 (*quoting I.P. Lund*, 163 F.3d at 49, *quoting, in turn*, Robert N. Kliegler, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. Pitt. L. Rev. 789, 826-27 (1997)). The full quotation – including the portion omitted from Respondent's brief – confirms the conflict between the First and Fourth Circuits. The First Circuit quoted with approval the statement that "'so long as a mark qualifies for dilution protection [*i.e.*, is a famous mark] and the senior and junior uses of the mark are not so unrelated as to foreclose the possibility of a mental connection, blurring...is a foregone conclusion.'" 163 F.3d at 49 (internal quotation omitted).

admission, "surely does not leap...from the statutory text." Pet. App. 7a. Moreover, the outcome in *Panavision* cannot be reconciled with the Fourth Circuit's holding that proof of actual economic harm is an element of dilution under the FTDA. The Ninth Circuit found dilution because consumers "*may* fail to continue to search for plaintiff's home page" and because the plaintiff's trademark "*could* be associated with an unimaginable amount of messages." 141 F.3d at 1327 (emphasis added)(internal quotations and citations omitted). The Ninth Circuit did not even ask whether the plaintiff had in fact suffered any actual economic injury.

Respondent characterizes the Eighth Circuit's opinion in *Luigino's, Inc. v. Stouffer Corp.*, 170 F.3d 827 (8th Cir. 1999), as "brief" and "partial," suggesting that the Eighth Circuit carelessly omitted some of the elements of dilution. Br. in Opp. 10. But the Eighth Circuit's opinion could not be clearer. The opinion states: "To establish a claim for trademark dilution by blurring, [the plaintiff] must show that its [senior] mark is famous, that [the defendant] began using a similar or identical mark after the [senior] mark became famous, and that [the junior] mark dilutes the distinctive quality of the [senior] mark by causing consumers to connect the [senior] mark with different products." 170 F.3d at 832 (*citing* 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* 24:70 (4th ed. 1999)). In the Eighth Circuit's view, causing consumers to make such a mental connection *is* dilution; the plaintiff is not required to make a further showing of actual economic injury.[3]

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[3] Professor McCarthy, applying the standard adopted in *Luigino's*, has concluded that Respondent diluted the Ringling mark. *See* 4 McCarthy, *supra*, § 24:94. Respondent asserts (Br. in Opp. 10 n.5) that Professor McCarthy was addressing only "the association-of-the-marks aspect of dilution," implying that Professor McCarthy recognizes an actual economic injury "aspect" of dilution. But Professor McCarthy, like the Eighth Circuit, *rejects* any such requirement. *See* 4 McCarthy, *supra*, § 24:94.

Respondent does not dispute that the Third Circuit has summarily affirmed two decisions finding trademark dilution in violation of the FTDA without requiring a showing of actual economic injury, and acknowledges (Br. in Opp. 11) that the decision in *Jews for Jesus v. Brodsky*, 993 F. Supp. 282 (D.N.J.), *aff'd mem.*, 159 F.3d 1351 (3d Cir. 1998), is "quite similar to that of the Ninth Circuit in *Panavision*." And, in *Wawa Inc. v. Haaf*, 40 U.S.P.Q.2d 1629 (E.D. Pa. 1996), *aff'd mem.*, 116 F.3d 471 (3d Cir. 1997), the court applied the so-called "Sweet factors" rejected by the Fourth Circuit, which do not require a showing of actual economic harm.[4]

Respondent dismisses the Seventh Circuit's decision in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480 (7th Cir. 1988), on the ground that it construed a state dilution statute rather than the FTDA. But Respondent does not deny that the Fourth Circuit's decision in this case is in sharp tension with the Seventh Circuit's conclusion that dilution is inherently not susceptible to proof of actual economic harm. *See* Pet. 16-17.[5]

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[4] Respondent cites two additional district court decisions that it claims show that "Courts of the Third Circuit align themselves with the...Fourth Circuit." Br. in Opp. 12. One of these decisions is actually from the Fourth Circuit. *See World Gym Licensing, Ltd. v. Fitness World, Inc.*, No. Civ. PJM 97-3558, 1999 WL 301324 at *10-11 (D. Md. Apr. 26, 1999). The other adopts the Fourth Circuit's standard, but without recognizing that it cannot be reconciled with the Third Circuit's prior summary affirmances. *See American Cyanamid Co. v. Nutraceutical Corp.*, No. Civ. A 97-2018, 1999 WL 397723 (D.N.J. May 28, 1999).

[5] Similarly, Respondent dismisses this Court's decision in *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522 (1987), on the ground that it did not construe the FTDA. *See* Br. in Opp. 13 n.8. In that case, this Court recognized and accepted the principle that "unauthorized uses, even if not confusing, nevertheless may [cause] harm...*by lessening the distinctiveness and thus the commercial value of the marks*." 483 U.S. at 539 (emphasis added)(citation omitted). That is precisely the concept of dilution that Congress wrote into the FTDA, and that the Fourth Circuit rejected.

In short, the Fourth Circuit's decision conflicts with decisions of other courts of appeals that do not require the plaintiff to prove actual economic injury under the FTDA. This conflict over the meaning of a basic term of the FTDA warrants review by this Court.

2. In discussing the importance of the question presented, the Petition for Certiorari contends that the Fourth Circuit's decision (a) effectively nullifies the FTDA, Pet. 18-19; and conflicts with (b) a basic trademark principle, *id.* at 23-26; (c) a basic principle of equity, *id.* at 26-27; and (d) the language and purpose of the FTDA, *id.* at 19-23. Respondent barely responds to the first three points, and offers a wholly inadequate response to the fourth point.[6]

a. Respondent does not dispute that the Fourth Circuit's decision practically obliterates the FTDA as a source of protection for trademark owners. Respondent makes no attempt to explain how the Fourth Circuit's suggested means of proving actual economic injury could actually succeed. Respondent also fails to cite a single case under the FTDA or state dilution law in which a court found that the plaintiff had proved actual economic harm.

b. Respondent observes (Br. in Opp. 17) that trademark dilution is distinct from trademark infringement. True enough, but the distinction actually undermines, rather than supports, the Fourth Circuit's standard. Proving actual economic harm in a trademark infringement case is quite difficult; that is a principal reason why proof of actual economic harm is not required in infringement cases. *See Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 640 (1st Cir. 1992). Proving actual economic harm in a dilution case (where consumer confusion is not required) is even *more* difficult. Thus, emphasizing the

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[6] Respondent also ignores the point that, under the Fourth Circuit's decision, the FTDA actually *reduces* the legal protection available to famous marks in certain cases – surely a result that Congress did not intend. *See* Pet. 23.

distinction between dilution and infringement serves to highlight the Fourth Circuit's error.

c. Respondent asserts (Br. in Opp. 18) that "[i]t was Congress and not the court that reserved injunctive relief for claimants who" can prove "already existing dilution." To the contrary, Congress expressly provided that claimants "shall be entitled" to injunctive relief "subject to the principles of equity." Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1). And it is a firmly established principle of equity that "an injunction may issue to prevent future wrong, although no right has yet been violated." *Swift & Co. v. United States*, 276 U.S. 311, 315 (1928).

d. On the merits, Respondent ignores Petitioner's argument that the plain language of the FTDA's definition of dilution, which is drawn from the statutory definition of "trademark" itself, makes clear that dilution is a matter of consumer perception rather than lost profits. *See* Pet. 20-21. Respondent correctly notes that relief is available under the FTDA when the defendant "causes" dilution. Br. in Opp. 15 (*quoting* 15 U.S.C. § 1125(c)(1)). But the causation requirement does not alter the plain meaning of "dilution"; in particular, it does not suggest (let alone require) that proof of actual economic injury, as opposed to simple loss of distinctiveness, is an element of dilution.

Respondent equates Congress's definition of dilution with an "injury to the mark's selling power." Br. in Opp. 15. Congress did not use the term "selling power" in the FTDA and thus the statute itself provides no support for defining dilution in this way. But even assuming that it did, there is no basis for concluding that an injury to "selling power" presupposes an actual economic injury. Respondent cites a string of cases that refer to dilution as injury to a mark's "selling power," and contends on the basis of these citations that the Fourth Circuit is "squarely in line with accepted doctrine." *Id.* at 16. In fact, not one of these cases

required proof that the economic value of the mark had been diminished.[7]

Respondent also ignores the legislative history of the FTDA, which expressly states that dilution does not "lead[ ] to immediate injury" and draws directly on state law to explain the concept of dilution. H.R. Rep. No. 104-374, at 3 (1995). *See* Pet. 7 (discussing legislative history). Respondent offers only general assertions that the FTDA is "significantly different" from state dilution laws, and "dilution varies from state to state." Br. in Opp. 14. That is no answer at all. While the FTDA specifically addressed certain issues on which state law varied or was unclear (*e.g.*, whether dilution laws apply to non-famous marks and to situations in which there is competition between the plaintiff and the defendant), there is no ambiguity on the point at issue in this case. *No* state requires proof of actual economic harm as an element of dilution. And the language of the FTDA and its legislative history leave no doubt that a showing of actual economic injury is *not* an element of dilution under the FTDA.[8]

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[7] Respondent also denies (Br. in Opp. 16-17) that the Fourth Circuit assumed that all state dilution statutes contain "likelihood of dilution" language. But the Fourth Circuit regarded this language as "the most significant feature of [state] antidilution statutes," Pet. App. 18a, and failed to acknowledge anywhere in its opinion that not all state statutes contain such language.

[8] Respondent suggests that a narrow reading of the FTDA is justified because "a broad reading of dilution would bring us close to the constitutional edge." Br. in Opp. 14 (quoting *I.P. Lund*, 163 F.3d at 50). That language has no application to this case. The *I.P. Lund* court was concerned with a special problem that may arise under the Patent Clause of the Constitution if the FTDA is extended "to the design itself of the competing product involved." 163 F.3d at 50. No such issue is present here, and the Fourth Circuit's decision does not address the applicability of the FTDA to product designs.

Respondent also asserts (Br. in Opp. 17) that "a defendant could not constitutionally be held vicariously liable for the conjectural future acts of others based on generalized metaphors." But numerous laws rest on a legislative determination that the cumulative future effect of the actions

(...continued)

In short, Respondent has no valid answer to the arguments of Petitioner and its *amici*, which clearly demonstrate the importance of the question presented in this case.

3. In its Statement of the Case (but not in the Argument section of its brief) Respondent suggests three additional reasons for denying certiorari, all of which lack merit.

First, Respondent suggests (Br. in Opp. 4) that Petitioner's mark is not famous (and therefore is not protected under the FTDA). The lower courts found, however, that "[t]he facts reflect, and Utah does not contest...that [Petitioner] has demonstrated [that]...THE GREATEST SHOW ON EARTH, is a famous mark." Pet. App. 47a (footnote omitted); *see also* Pet. App. 5a. Respondent cannot now raise an issue that it conceded below. Moreover, Petitioner's mark clearly is famous, as other courts have held. *See, e.g.*, *Celozzi-Ettelson*, 855 F.2d at 483.[9]

Second, Respondent errs in suggesting (Br. in Opp. 5-6) that Petitioner failed even to show any "consumer association" of the two marks. The court of appeals correctly declined to rely on this argument, relying instead solely on its conclusion that Petitioner had failed to prove any "actual harm" to Petitioner's mark. Pet App. 29a. As a leading trademark scholar has concluded, Petitioner's evidence clearly shows the requisite mental association of the two marks. 4 J. Thomas McCarthy, *supra*, § 24:94. Although Respondent asserts (Br. in Opp. 10) that Professor McCarthy was "apparently unaware" that the survey showed no association of the two marks, in fact Professor McCarthy specifically concludes that the survey shows that "the

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of many private actors will cause harm, even if the actions of any one private actor are unlikely to cause demonstrable harm.

[9] Respondent also states (Br. in Opp. 5) that the U.S. Trademark Trial and Appeal Board granted Respondent the right to register its mark, without acknowledging that the Board expressly ruled that it lacked authority to consider Petitioner's argument that Respondent's mark dilutes Petitioner's famous mark. *See* Pet. App. 42a-43a.

circus slogan is diluted *by being associated with another source*." 4 J. Thomas McCarthy, *supra*, § 24:94 (emphasis added).[10]

Finally, Respondent suggests (Br. in Opp. 2-3 n.1) that this Court's recent decision in *College Savings Board v. Florida Prepaid Postsecondary Education Expense Bd.*, 119 S. Ct. 2219 (1999), provides a basis for denying certiorari in this case. Respondent acknowledges that it never asserted Eleventh Amendment immunity in the district court or the court of appeals. Even now, it raises the Eleventh Amendment issue only in a footnote to its Statement of the Case, and only as a reason for allowing a decision on the merits to stand. In similar circumstances, this Court has held that a claim of Eleventh Amendment immunity was waived. *See Patsy v. Board of Regents of Florida*, 457 U.S. 496, 516 n.19 (1982).

If the Court were to conclude that Respondent has properly invoked Eleventh Amendment immunity, the appropriate course would be to grant the Petition, vacate the decision of the Fourth Circuit, and remand the case for further consideration in light of *College Savings Board*. Because Respondent did not assert Eleventh Amendment immunity below, Petitioner has had no opportunity to develop a record on the question whether Respondent is an arm of the State entitled to Eleventh Amendment immunity. Moreover, if it were determined on remand that Respondent is entitled to Eleventh Amendment immunity, the proper disposition would be an order dismissing the case for lack of jurisdiction, not a judgment on the merits.

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[10] Respondent engages in an *ad hominem* attack on Dr. Rappeport, the expert who conducted the survey. Br. in Opp. 6-7 n.3. Dr. Rappeport is a reputable expert whose survey evidence has been accepted in other cases, *see, e.g.*, *Lon Tai Shing Co. v. Koch + Lowy*, No. 90 Civ. 4464, 1991 WL 170734, at *17-18 (S.D.N.Y. June 20, 1991); *American Home Prods. v. Procter & Gamble Co.*, 871 F. Supp. 739, 749-50 (D.N.J. 1994), and who has served as a reviewer for the Federal Judicial Center's *Reference Manual on Scientific Evidence* (1994). In this case, moreover, both courts below accepted the reliability and trustworthiness of the survey.

4. If the Court reviews the first question presented, it should also review the Fourth Circuit's denial of Petitioner's request for a jury trial. Respondent contends that, even assuming the Fourth Circuit applied an incorrect interpretation of dilution, Respondent was still entitled to summary judgment in its favor on the jury trial issue. Br. in Opp. 18. But the Fourth Circuit acknowledged evidence that Respondent deliberately adopted and used a "strikingly similar" mark "notwithstanding its knowledge of [the famous] mark." Pet. App. 36a. Under a proper interpretation of dilution, that is certainly sufficient to avoid summary judgment on the question whether the defendant acted with willful intent to dilute.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

Of Counsel:

Steven B. Pokotilow
Brian S. Tomko
STROOCK & STROOCK & LAVAN LLP
180 Maiden Lane
New York, New York 10038
(212) 806-5400

Jerome S. Sowalsky
Julie Alexa Strauss
RINGLING BROS.-BARNUM & BAILEY COMBINED SHOWS, INC.
8607 Westwood Center Drive
Vienna, Virginia 22182
(703) 448-40000

Harris Weinstein
Bingham B. Leverich
Robert A. Long, Jr.
Counsel of Record
COVINGTON & BURLING
1201 Pennsylvania Ave., N.W.
P.O. Box 7566
Washington, D.C. 20044
(202) 662-6000

Counsel for Petitioner

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